



March 15, 2011 - Topic: Privacy and Security

## Health Net Reports Data Breach Affecting 1.9M Policyholders

On Monday, Health Net announced that it has lost digital records containing personal data on about 1.9 million current and former policyholders, the *San Diego Union-Tribune* reports.

The incident is Health Net's second security breach in two years. In 2009, Health Net's Connecticut office lost a portable hard drive that contained health and financial data on 1.5 million policyholders (Lavelle, *San Diego Union-Tribune*, 3/14).

### Details on New Data Breach

According to the California Department of Managed Health Care, Health Net reported that nine server drives went missing from its data center in Rancho Cordova, Calif.

Health Net said the data might have included:

- Names;
- Social Security numbers;
- Addresses;
- Health information; and
- Financial information (Glover, *Sacramento Bee*, 3/15).

Health Net said the missing drives contained personal data on its employees, health care providers and policyholders. The insurer said it discovered the breach when it received a notification that IBM -- which handles the insurer's IT infrastructure -- could not locate the server drives (*San Diego Union-Tribune*, 3/14).

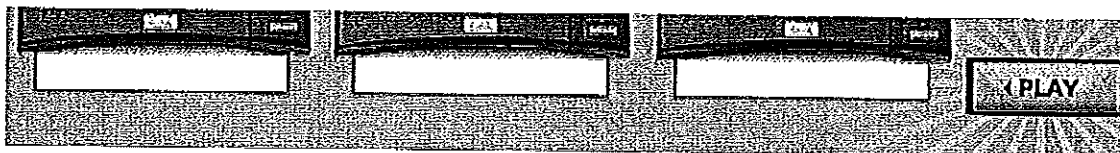
### Health Net Response to Breach

On March 4, the insurer notified the Connecticut Office of the Attorney General about the latest breach by telephone. On March 14, Health Net issued a public notice about the incident (Goedert, *Health Data Management*, 3/14).

Health Net said it is notifying affected individuals "out of an abundance of caution" (Clark, *HealthLeaders Media*, 3/15). The health plan would not say whether the drives were stolen (*AP/San Francisco Chronicle*, 3/14).

Health Net said it would offer two years of no-cost credit monitoring and fraud resolution services to affected individuals. The insurer also said it would offer credit restoration and identity theft insurance if needed (Robertson, *Sacramento Business Journal*, 3/14).

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## Health Net, IBM Lose Drives with Stored Customer Records

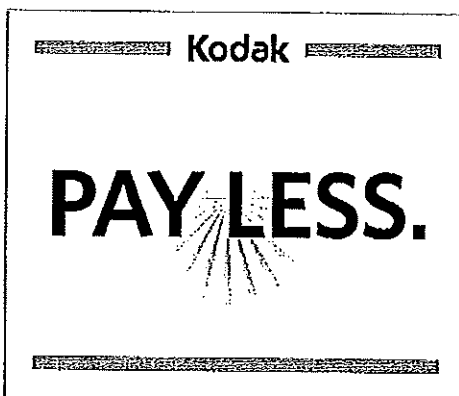
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By Mark Hachman

Managed health care provider Health Net said this week that "several" server drives managed by IBM had gone missing, putting possibly 1.9 million records containing the personal information of its customer base at risk.

Health Net did not say how many records may be at risk, although the company says it administers records to 6 million individuals. Data including Social Security numbers, names and addresses, and other personal information are at risk.

On Monday, Health Net said that "several" drives had gone missing from a server or servers operated by IBM, its partner, for a data center in Rancho Cordova, Calif. However, the California Department of Managed Health Care said that nine of Health Net's server drives containing personal information for 1.9 million current and past enrollees nationwide are missing, including records for more than 622,000 enrollees in Health Net products regulated by the DMHC, more than 223,000 enrolled in California Department of Insurance products, and a number enrolled in Medicare.



A spokesman for Health Net declined to comment beyond the statement that the company published on its Web site.

Health Net said that it was in contact with the individuals affected by the breach, and that it would offer two years of free credit monitoring services, the restoration of credit files, and insurance for identity theft.

California's Department of Managed Health Care said this week that it will investigate Health Net's security practices. On Tuesday, California Insurance Commissioner Dave Jones issued a statement that asked Health Net to forward its findings to the California Department of Insurance. Jones also said that he would conduct an independent followup investigation.

"I have been in constant contact with Health Net, Inc. on this matter, and I am pleased to see that the company is following protocol by notifying all the individuals affected by this privacy breach," Commissioner Jones said in a statement. "With identity theft crimes on the rise, it is more important than ever to act immediately and comprehensively in addressing a privacy breach. Although Health Net, Inc. has agreed to provide us with the findings of its internal investigation, I intend to conduct a follow-up investigation of the breach. In the meantime, policyholders should not hesitate to contact my department if they have been impacted by the breach."

According to the Ponemon Institute's April 2010 report (using 2009 data), the average cost of a data breach was \$6.7 million in the United States.

For more information, Health Net customers are encouraged to visit the company's website at [www.healthnet.com](http://www.healthnet.com) or call 1-855-434-8081, it said.

**Editor's Note:** This story was updated at 11:46 AM with comment from Health Net.

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Health Care IT News

# Health Net Delays Notification of Data Breach Involving 2 Million People

By: Brian T. Horowitz

2011-03-16

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Insurer Health Net waited until March 14 to disclose a data breach discovered on Jan. 21 involving the loss of nine server drives and the data of 2 million customers, employees and health care providers.

Health Net, a provider of health insurance to about 6 million people across the United States, has come under fire for reporting the loss of nine server drives at its data center in Rancho Cordova, Calif., nearly two months after it occurred.

More than 2 million Health Net members, employees and health care providers may have been affected by the data breach, including about 845,000 California policyholders, according to The San Francisco Chronicle. California regulators are investigating the breach, the newspaper reports.

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The insurer found out about the security lapse on Jan. 21, when IBM, which manages the company's IT infrastructure, informed Health Net that it was unable to locate server drives, according to a recording on Health Net's data breach hotline (855-434-8081).

The health benefits provider began its investigation at that time and learned that the nine drives included personal information for former and current Health Net members, employees and health care providers. The company didn't report the breach to the public until March 14.

Health Net spokesman Brad Kieffer declined eWEEK's request for additional information on the breach but said, "We continue investigating unaccounted for server drives, and out of an abundance of caution we are notifying our members."

IBM issued the following statement to eWEEK: "IBM continues to assist Health Net with its investigation of unaccounted-for server drives."

"Given the size and type of data lost, this is a serious breach, and those affected should have been notified and protected immediately when IBM notified Health Net of the loss," Rob Enderle, principal analyst for the Enderle Group, wrote in an e-mail to eWEEK.

"While the delay was likely due to the belief that these drives were either misplaced or reused and not logged and the hope they would turn up on a maintenance rotation, the exposure to those that may have been compromised is excessive, and for an insurance company not to immediately mitigate this exposure—unforgivable," Enderle said.

Information included names, addresses, health information, Social Security numbers and/or financial information, Health Net reports. The health provider has begun notifying affected individuals of the security breach.

Health Net is offering two years of free identity protection through the Debix Identity Protection Network, including fraud resolution, identity theft insurance and restoration of credit files.

The Health Net breach could be the most serious health care data breach since 2008, when incidents affected

2.2 million people at the University of Utah and 2.1 million people at the University of Miami, according to the San Francisco Chronicle report.

In May 2009, Health Net suffered another security breach in which a portable disk drive holding the medical and financial data on 1.5 million members disappeared from its Connecticut headquarters.

Data breach penalties for Health Net could be severe, according to Enderle.

"This has issues that range from reporting requirements under Sarbanes-Oxley to reporting requirements for the SEC of a material financial exposure resulting from the potential liability," Enderle said. "Given the exposure created I would expect the penalties would be, and they should be, severe as a result."

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